

Message Text

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ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 AGRE-00 AID-05 CIAE-00
COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00
XMB-02 OPIC-03 SP-02 LAB-04 EPG-02 SIL-01 OMB-01
/054 W

-----061853Z 084866 /42

R 061427Z JUN 77
FM AMEMBASSY TEL AVIV
TO SECSTATE WASHDC 6524

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PASS AGRICULTURE

FROM AGATT TEL AVIV

EO. 11652: N/A
TAGS: EAGR, PINT, IS
SUBJECT: AGRICULTURAL POLICY IMPLICATIONS OF LIKUD'S VICTORY

1. THE MAY 17 LIKUD DEFEAT OF THE LABOR-CONTROLLED COALITION
WILL HAVE THE RESULT THAT FOR THE FIRST TIME SINCE THE
FOUNDING OF THE STATE POLITICAL CONTROL OF THE MINISTRY
OF AGRICULTURE MIGHT NOT BE EXERCISED BY ONE OF THE LABOUR-
DOMINATED SETTLEMENT ORGANIZATIONS - KIBBUTZIM AND MOSHAVIM.
ACCORDING TO THE LIKUD'S PLATFORM, THERE ARE A NUMBER OF OTHER
IMPLICATIONS FOR AGRICULTURAL POLICY.

2. WHILE THE LIKUD'S ELECTION PLATFORM DOES NOT CONTAIN MUCH
DETAIL REGARDING AGRICULTURAL POLICIES, THAT PARTY'S GENERAL ECON-
OMIC PHILOSOPHY IS ONE OF LIBERAL LAISSEZ FAIRE, MINIMIZING AS
FAR AS POSSIBLE GOVERNMENT INTERFERENCE.

3. THEIR PLATFORM CALLS FOR THE GRADUAL ELIMINATION OF SUBSIDIES,
GOVERNMENT RADING AND, POSSIBLY, ALSO OF PRODUCTION QUOTAS.

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CERTAIN CONTRADICTIONS WITHIN THE PLATFORM MAKE IT DIFFICULT
TO PREDICT EXACT MEASURES.FOR INSTANCE, WHILE SUBSIDIES ARE
FROWNED UPON, THE IDEA OF EXPORT PREMIUMS IS KEPT. IN THE
ADMINISTRATIVE AREA, THE LIKUD IS COMMITTED IN THEIR PLATFORM
TO SEPARATE TWO MAJOR AGENCIES FROM THE MINISTRY OF AGRICULTURE -
THE WATER COMMISSIONER'S OFFICE AND THE LAND AUTHORITY. THE
WATER COMMISSIONER'S OFFICE IS RESPONSIBLE FOR DEVELOPING

AND RATIONING ISRAEL'S WATER RESOURCES, WHILE THE LAND AUTHORITY HANDLES ALL TRANSACTIONS INVOLVING THE EXTENSIVE GOI LAND HOLDINGS. SIMILAR PROPOSALS FOR SEPARATING THESE TWO OFFICES FROM THE MINISTRY OF AGRICULTURE HAVE BEEN EXPRESSED IN THE PAST BY LABOR PARTY POLITICIANS AND ECONOMISTS. ALL PRACTICAL EFFORTS, HOWEVER, WERE FRUSTRATED BY THE STUBBORN RESISTANCE OF THE AGRICULTURAL PRESSURE GROUPS, WHO DID NOT WANT TO RELINQUISH TWO OF THEIR MOST IMPORTANT STRONGHOLDSON THE OTHER HAND, GOVERNMENTAL RESPONSIBILITY FOR FOOD IMPORTS AS WELL AS FOR IMPORTS OF AGRICULTURAL RAW MATERIALS, SUCH AS FEEDGRAINS AND SOYBEANS, MY BE SHIFTED FROM THE MINISTRY OF COMMERCE AND INDUSTRY TO THE MINISTRY OF AGRICULTURE.

4. IF, IN ACCORDANCE WITH THE LIKUD PLATFORM, THE ENTIRE GOVERNMENT TRADING UNIT IN THE MINISTRY OF COMMERCE AND INDUSTRY WERE TO BE DISMANTLED AND ITS FUNCTIONS TAKEN OVER BY PRIVATE AND/OR COOPERATIVE TRADING FIRMS, THE POSSIBLE IMPACT ON U.S.- ISRAELI TRADE RELATIONS IN THIS SECTOR COULD BE SIGNIFICANT. ISRAEL HAS LONG BEEN ALMOST A CAPTIVE MARKET FOR U.S. AGRICULTURAL EXPORTS BECAUSE OF THE ESTABLISHED COMMERCIAL TIES BETWEEN THE PURCHASING MISSION IN NEW YORK AND ITS U.S. SUPPLIERS AS WELL AS LIBERAL U.S. EXPORT CREDITS. PRIVATE IMPORTERS, HOWEVER, TO SOME EXTENT COULD BE MORE PROFIT-ORIENTED AND FLEXIBLE IN THEIR BUYING DECISIONS. BECAUSE OF THE EXISTING SYSTEM OF GOVERNMENT TRADING, U.S. EXPORTERS HAVE NOT BEEN VERY ACTIVE IN CULTIVATING THE ISRAELI MARKET. A CHANGE IN THIS ATTITUDE SEEMS TO BE INDICATED IF THE U.S. HOPES TO HOLD ITS MARKET SHARE OF AGRICULTURAL IMPORTS.

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5. THE CHANGE IN GOVERNMENT OBVIOUSLY WILL NO INFLUENCE THE BASIC CONSTRAINTS UNDER WHICH ISRAEL'S AGRICULTURE OPERATES. THUS, CLOSE SUPERVISION AND SUBSIDIZATION OF WATER RESOURCES AND THE ENCOURAGEMENT OF EXPORTS ARE LIKELY TO CONTINUE. AGRICULTURAL CREDIT, HOWEVER, IS LIKELY TO TIGHTEN UP AND A HARD NEW LOOK MAY EVENTUALLY BE TAKEN AT THE TAX STRUCTURE FOR THE VARIOUS TYPES OF COOPERATIVE FARMING. SUCH MEASURES MIGHT BE EXTREMELY ADVERSE FOR THE VARIOUS INDUSTRIAL ENTERPRISES SITUATED IN KIBUTZIM - COSE TO 60 PERCENT OF THEIR TOTAL INCOME IS DERIVED FROM NON-AGRICULTURAL ACTIVITIES, WHICH ARE PRESENTLY TAXED AS IF THEY WERE PARTNERSHIPS OWNED BY ALL MEMBERS OF THE SETTLEMENT. IF TAXED UNDER CORPORATE LAW, THEIR RATES WOULD BE INCREASED BY AT LEAST 50 PERCENT.

6. WHILE IT IS QUITE CLEAR WHO IS NOT GOING TO RUN AGRICULTURE, IT IS FAR FROM CERTAIN WHO IS GOING TO TAKE OVER. UNLIKE THE LABOR PARTIES, THE LIKUD IS PREDOMINANTLY URBAN WITH LITTLE MORE THAN A MARGINAL AGRICULTURAL FOLLOWING. THE

LATTER IS CONCENTRATED IN THE SMALL FARMER'S FEDERATION,
WHICH COMPRISES LESS THAT 5 PERCENT OF ALL AGRICULTURAL PRODUCERS.
WHOEVER TAKES OVER WILL HAVE TO EXERCISE MORE THAN AVERAGE
POLITICAL SKILL IF A SEMBLANCE OF COOPERATION BETWEEN THE
MAJORITYOF FARMERS AND THE MINISTRY IS TO BE PRESERVED.
MUCH OF ISRAEL'S AGRICULTURAL SUCCESS IN THE PAST THREE
DECADES WAS FIRMLY ROOTED IN THIS COOPERATION.
LEWIS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ELECTION RESULTS, AGRICULTURAL PROGRAMS
Control Number: n/a
Copy: SINGLE
Sent Date: 06-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977TELAV04011
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770201-0355
Format: TEL
From: TEL AVIV
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770685/aaaacxad.tel
Line Count: 124
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: e5263984-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 21-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2257014
Secure: OPEN
Status: NATIVE
Subject: AGRICULTURAL POLICY IMPLICATIONS OF LIKUD'S VICTORY
TAGS: EAGR, PINT, IS, LIKUD
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/e5263984-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009